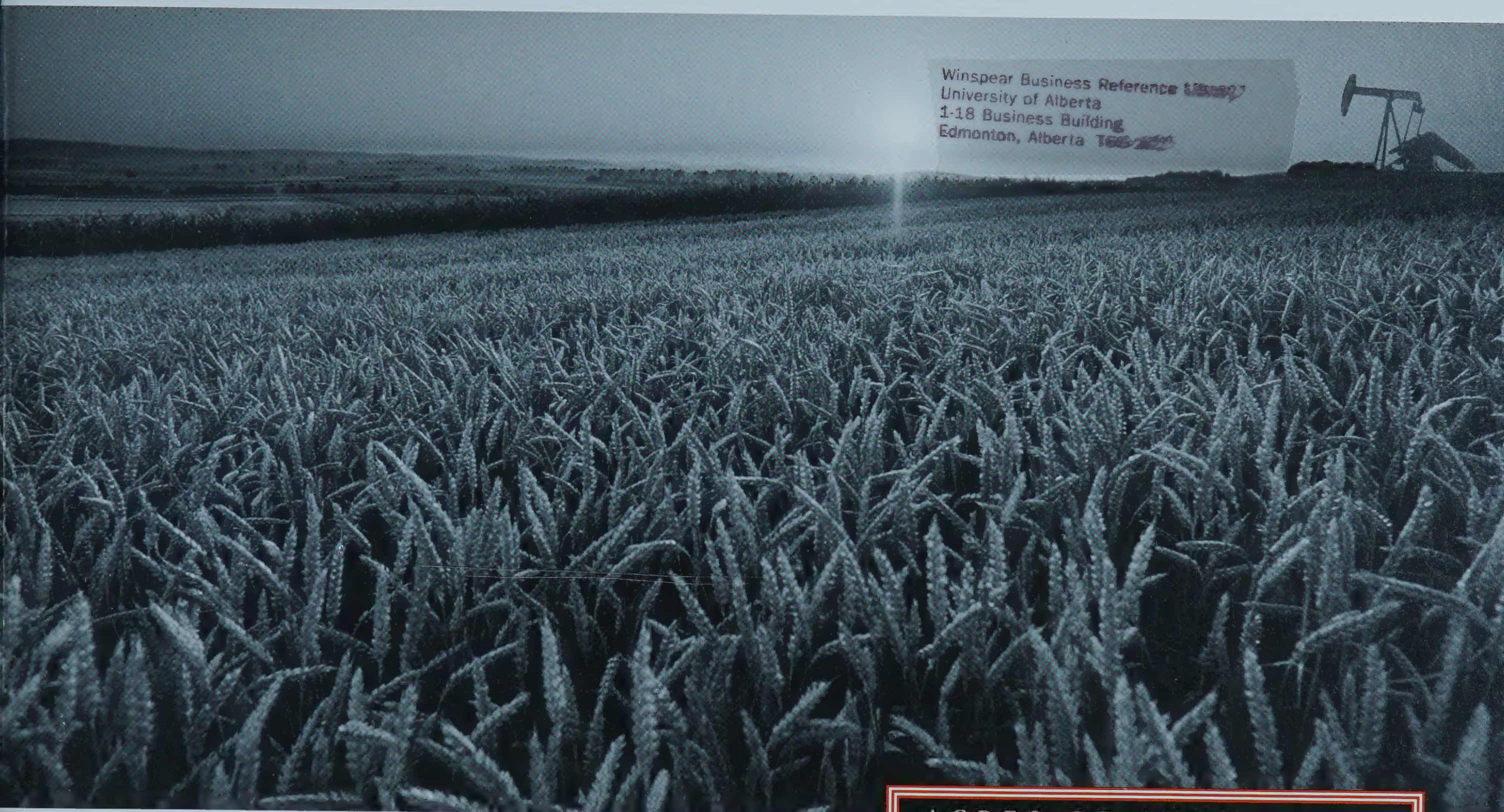


ACRES OF ADVANTAGES

freehold

1999 Annual Report

FREEHOLD ROYALTY TRUST

History of the Royalty Lands

The Trust holds royalty interests in over 660,000 gross acres in western Canada. A majority of this ownership is in the form of mineral title rights which are held in perpetuity. These mineral title lands generate royalty income for Freehold and can be traced far back into Canadian and British history.

The Company of Adventurers

1670

Charles II, King of England, granted the first charter to the "Governor and Company of Adventurers of England Trading into Hudson's Bay" (name later changed to the "Hudson's Bay Company"). This charter, awarded to the King's cousin, Prince Rupert and his fellow Adventurers, granted the sole trade and commerce rights in, and title to, all lands encompassing the watershed of the Hudson's Bay – named "Rupertsland." The grant covered an area of 1.5 million square miles, or nearly 40 percent of Canada today.

Confederation

1867

The British North America Act of 1867 made provision for the admission of the original grant of lands into Canada. The Hudson's Bay Company surrendered its title to these lands to Canada for a cash consideration and the right to hold, in perpetuity, one-twentieth of the land in western Canada. The formula for the retention of this acreage gave the Hudson's Bay Company section 8 and three-quarters of section 26, with some exceptions, in each unoccupied township south of the North Saskatchewan River between Winnipeg and the Rocky Mountains.

Hudson's Bay Company

1926

In 1926, the Hudson's Bay Oil and Gas Company Limited and its partners received an exclusive right from the Hudson's Bay Company to lease all of its acreage in western Canada to explore for oil and gas. The 1924 discovery of oil in Turner Valley, Alberta, followed by the major 1947 Leduc, Alberta discovery of oil and gas, set the stage for the development of western Canada's petroleum industry.

Siebens Oil & Gas Ltd.

1973

In 1973, the Hudson's Bay Company sold its interest in the 4.6 million acres of mineral title lands to Siebens Oil & Gas Ltd. These lands were extremely attractive because the mineral rights were held in perpetuity as opposed to a leasehold with a fixed term. The acreage was well positioned for oil and gas exploration in the development of the Western Canadian Sedimentary Basin.

Canpar Holdings Ltd.

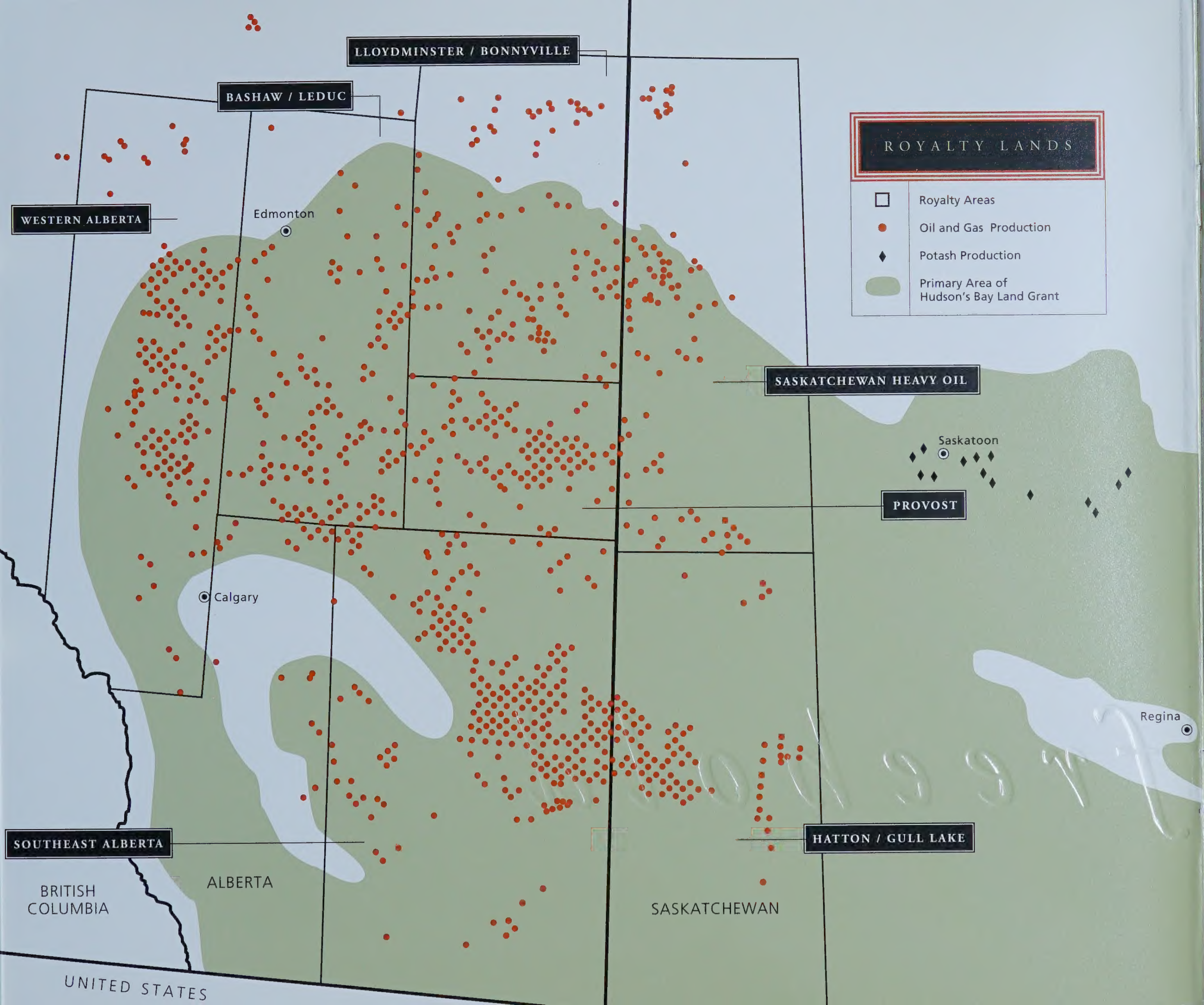
1979

In 1979, Canpar Holdings Ltd., in concert with Dome Petroleum Limited, acquired the assets of Siebens Oil & Gas Ltd. Canpar acquired varying interests in all of the mineral title lands Siebens had originally acquired from the Hudson's Bay Company. As a result of the transaction, Canpar held approximately 25 percent of the original Hudson's Bay Royalty Lands.

Freehold Royalty Trust

1996

In 1996, Freehold Royalty Trust was established for the purpose of purchasing the producing royalty lands from Canpar as well as several working interest properties from Canpar and Rife Resources Ltd. (Canpar and Rife are private companies owned by the CN Pension Trust Fund – the pension fund for employees of the Canadian National Railway System.)


ROYALTY LANDS
Royalty Areas
Oil and Gas Production
Potash Production
Primary Area of
Hudson's Bay Land Grant
LLOYDMINSTER / BONNYVILLE
BASHAW / LEDUC
WESTERN ALBERTA
SASKATCHEWAN HEAVY OIL
PROVOST
SOUTHEAST ALBERTA
HATTON / GULL LAKE
Edmonton
Calgary
Saskatoon
Regina
BRITISH
COLUMBIA
ALBERTA
SASKATCHEWAN
UNITED STATES

acres of advantages

Freehold receives royalty income from over 12,000 wells on more than 660,000 gross acres of lands in western Canada. These lands contribute the following advantages:

royalty income Most of Freehold's cash flow comes from royalty lands. Few oil and gas companies own as many royalty properties, making our Trust relatively unique in the industry.

high netbacks Freehold pays no capital expenditures, operating costs or environmental costs on its royalty lands, resulting in superior netbacks, which maximizes the income distributed to Unitholders.

growth potential Drilling and development activity by third parties that operate on our royalty lands can result in reserves and production growth.

diversified revenue Over 1,000 individual properties (including more than 230 production units) produce oil, natural gas, natural gas liquids and potash, generating revenue for Freehold.

long-life reserves Freehold's reserves, with a reserve life index of almost 16 years, are capable of generating oil and gas revenue for many years.

tax deferral Cash distributions continue to be 100 percent tax deferred as they are considered a "return of capital," and thus reduce the adjusted cost base of Trust Units.

A QUALITY INVESTMENT

Freehold Royalty Trust is a unique way to invest in the Canadian oil and gas industry. The Trust receives and distributes royalty income from a collection of high quality oil and natural gas assets located in western Canada. A combination of royalty-generating and working interest properties provide income from the sale of crude oil, natural gas, natural gas liquids and potash. The Trust's responsibility is to oversee the assets and collect the income, without assuming risk from the exploration for oil and gas. Growth in the underlying value of the Trust is achieved in two ways – ongoing development activity on the land base, and the acquisition of new oil and gas assets.

Freehold trades on The Toronto Stock Exchange under the symbol FRU.UN.

ANNUAL MEETING The Annual and Special Meeting of Freehold Resources Ltd. and Freehold Royalty Trust will be held on Wednesday, May 3rd, 2000 at 3:30 p.m. in the Lecture Theatre, Sunlife Plaza Conference Centre, Plus 15 (2nd level), 140 – 4th Avenue S.W., Calgary, Alberta.

Highlights

($000s, EXCEPT UNIT DATA) YEARS ENDED DECEMBER 31	1999	1998	% Change
Financial			
Total revenues	**35,270**	23,723	+49
Royalty income	**22,075**	14,429	+53
Working interest sales (net of royalties)	**13,195**	9,294	+42
Operating expenses	**3,555**	3,655	-3
Working interest income	**9,640**	5,639	+71
Distributable income	**20,757**	17,186	+21
Per Trust Unit	**0.78**	0.65	+20
Capital expenditures	**940**	1,790	-47
Long-term debt	**39,288**	39,288	–
Unitholders' equity	**185,938**	197,474	-6
Trust Units outstanding	**26,648,000**	26,568,000	–
Operating			
Production			
Oil and NGLs (Bbls/d)	**3,223**	3,547	-9
Natural gas (Mmcf/d)	**11.2**	11.9	-6
Oil equivalent (Boe/d)	**4,338**	4,737	-8
Potash (Tonnes/d)	**14.2**	15.3	-7
Average sales price			
Oil and NGLs ($/Bbl)	**21.37**	13.00	+64
Natural gas ($/Mcf)	**2.48**	1.91	+30
Oil equivalent ($/Boe)	**22.25**	14.54	+53
Potash ($/Tonne)	**157.56**	147.72	+7
Established reserves (proven plus half probable) (Mboe)	**25,063**	26,026	-4
Undeveloped land (gross acres)	**136,036**	132,609	–

HIGHLIGHTS OF 1999

- Revenue totalled $35.3 million, up 49 percent from the $23.7 million reported in 1998;
- Distributable income amounted to $20.8 million ($0.78 per Trust Unit), 20 percent higher than $17.2 million ($0.65 per Trust Unit) in the prior year;
- Reserve life index increased to 15.8 years, from 15.1 years at year-end 1998; and
- Undeveloped land increased to 136,036 gross acres, compared to 132,609 gross acres in 1998.

President's Message

DAVID SANDMEYER
PRESIDENT & C.E.O.

As we enter 2000,
Freehold is in a strong position
to realize gains in production, reserve
additions and higher distributions.

Nineteen ninety-nine was a year of contrast in the oil and gas industry. It began with severely restricted activity due to low oil prices continued from the previous year. By the end of the second quarter of 1999, however, indications of a price recovery proved correct as rising prices through the remainder of the year sparked new drilling activity and the return of shut-in heavy oil to production.

The ongoing benefits of our royalty land base were particularly evident under these circumstances. On the more than 660,000 acres in western Canada to which we own royalties, lessees responded positively to higher prices with a dramatic increase in drilling investment. Higher oil prices and lower heavy oil price differentials brought heavy oil back into production. These factors led to gains in Freehold's royalty production from the first half to the second half of the year.

For Freehold and the industry in general, 1999 was a period of recovery from the difficulties in 1998. After a challenging first half, the renewed strength in prices enabled Freehold to successfully complete 1999 with increased cash flow. We also took the opportunity to strengthen our balance sheet, and to maintain our commitment to Unitholders in providing regular distributions that reflected the improvement in results.

An Eventful Year

Nineteen ninety-nine began with a much different pricing scenario than its conclusion. As 1998 ended, oil prices had reached their lowest level since 1982 with West Texas Intermediate (WTI) prices for December averaging $U.S. 11.31 per barrel. By the second half of 1999, prices finally began to recover, reaching an average WTI $U.S. 26.00 per barrel by December.

During the year, Freehold's average oil and natural gas liquids (NGLs) price reached $21.37 per barrel, a 64 percent increase from the average price of $13.00 per barrel in 1998. The improvement in oil prices had a positive impact on revenues which increased 49 percent to $35.3 million compared to $23.7 million in the prior year.

Natural gas prices also strengthened during 1999. Freehold's natural gas prices increased 30 percent to average $2.48 per thousand cubic feet for the year.

As commodity prices increased in the second half, your Trust took the opportunity to increase distributions and strengthen our balance sheet by applying $3.2 million ($0.12 per Trust Unit) during 1999 to pay down short-term debt incurred in 1998. This translated into total distributable income to Unitholders of $0.78 per Trust Unit in 1999, a 20 percent increase over $0.65 per Trust Unit in 1998.

Other highlights of 1999 include:

- Net earnings rose to $8.8 million in 1999 compared to a net loss of $9.2 million during 1998;

- An exit production rate of 4,384 barrels of oil equivalent per day, above our annual average for 1999 of 4,338 barrels of oil equivalent per day;

- A competitive operating netback of $Cdn. 20.03 per barrel of oil equivalent, one of the highest of the conventional oil and gas royalty trusts; and

- Low total or "all-in" costs, including operating costs, overhead expenses and management fees, of $3.71 per barrel of oil equivalent.

Meaningful Advantages

There are many reasons why Freehold is an excellent long-term investment. They are:

- **A royalty land base** – A diversified, solid land base that generates income and on which we do not incur operating costs or capital costs to develop reserves;

- **A royalty income stream** – Royalty income represented 81 percent of our distributable cash for 1999, making our Trust the most pure form of royalty income investment available in the oil and gas sector;

- **Financial strength** – Our balance sheet will enable us to capitalize on acquisition opportunities;

- **Long reserve life** – Our reserve life index of almost 16 years is above the conventional royalty trust group average and reflects our strong asset base; and

- **Management team** – Our career oil and gas professionals have spent more than 15 years managing our asset base.

A Measure of Growth

In 1999, we saw a new oil and gas pricing environment, and Freehold began to experience the positive effects of the dramatic price recovery. The full impact of the recovery should be reflected in our 2000 results.

We will continue to pursue "value added" acquisition opportunities to increase the size of the Trust and maintain our high proportion of royalty income. Freehold has the financial strength to capitalize on opportunities to acquire attractive assets.

Our intention is to remain primarily a royalty-owning trust. The challenge is that royalty properties are, even in an attractive acquisitions and mergers market, less available compared to working interest properties. Therefore, we will consider acquiring working interest properties if they meet our investment criteria.

Our strategy will not waver. We will continue to improve our assets and focus on pursuing acquisition opportunities. In considering any type of acquisition, financial prudence will guide us in achieving the appropriate returns on capital expended.

Outlook

As we enter 2000, Freehold is in a strong position to realize gains in production, reserve additions and higher distributions. Our 2000 forecast calls for a WTI oil price of $U.S. 21.67 per barrel, production of 4,300 barrels of oil equivalent per day, and an estimated capital expenditure budget of approximately $5.0 million due to increased development activity on our working interest properties. Based on these estimates, we anticipate a cash distribution of approximately $1.00 per Trust Unit for the year 2000. Our forecast may prove to be conservative if oil prices and drilling levels remain strong throughout the year. According to the Canadian Association of Drilling Contractors, drilling is forecast to rise 40 percent in 2000, which would make it one of the most active years in the past decade. The increased activity on our extensive land base is anticipated to lead to production gains and reserve additions.

Our appreciation is extended to Unitholders for their ongoing support during a rigorous yet rewarding period. We thank our Board of Directors for providing valuable guidance, and the employees of Rife Resources Ltd. for their efforts during the year.

Essential to our achievements is a firm commitment to maintain clear objectives and consistent strategies – throughout all commodity price cycles.

D J Sandmeyer

David J. Sandmeyer
President and Chief Executive Officer
March 3, 2000

Review of Operations

Over 1,000 properties provide revenue to Freehold from the production of oil, natural gas, NGLs and potash.

diversified

revenue

Freehold's diversified asset base combines mineral title and gross overriding royalties, which are responsible for the majority of income, along with working interest properties. The Trust's production base is geographically widespread throughout western Canada extending from northeast British Columbia to southwest Manitoba.

Production

Freehold's 1999 production, which was made up of 74 percent of oil and NGLs, averaged 4,338 barrels of oil equivalent per day, a decrease of eight percent from the previous year. Fifty-five percent of this decline occurred on the working interest properties, primarily at Hayter, Alberta where the drilling plan deferred from 1998 did not commence until late in 1999. Similarly, royalty production declined until oil prices strengthened, resulting in oil wells being returned to production and the commencement of drilling programs by lessees.

Drilling Activity

After a dismal start to 1999, higher oil and gas prices encouraged operators and lessees to revive drilling programs. By the end of the year, drilling activity was down four percent year-over-year on Freehold's lands, compared to an industry-wide decline of three percent from the previous year. The Trust's total capital investment in 1999 for the working interest properties was $0.9 million. Outside operators (lessees) spent approximately $150.0 million drilling 287 wells on the 660,000 acres of lands encompassing Freehold's royalty interest holdings in western Canada.

Currently there are 20 (1.3 net) locations licenced to be drilled on the royalty lands and 17 (3.2 net) locations approved for drilling on the working interest lands.

WELLS DRILLED

Years ended December 31	**1999**	1998	1997
Royalty lands	**168**	124	217
Unitized wells (royalty lands)	**119**	181	282
Working interest properties	**32**	27	50
Total	**319**	332	549

PRODUCTION VOLUMES

Years ended December 31	**1999**	1998	1997
Oil and NGLs (Bbls/d)	**3,223**	3,547	3,913
Natural gas (Mmcf/d)	**11.2**	11.9	15.5
Oil equivalent (Boe/d)	**4,338**	4,737	5,461
Potash (Tonnes/d)	**14.2**	15.3	12.5

Most of Freehold's cash flow comes from royalty lands, making the Trust relatively unique in the industry.

royalty

income

WELLS DRILLED ON ROYALTY LANDS

(INCLUDES UNITIZED WELLS) YEARS ENDED DECEMBER 31	1999	1998	1997
Oil	**98**	129	339
Natural gas	**149**	143	97
Service/other	**33**	23	34
Dry and abandoned	**7**	10	29
Total	**287**	305	499
Success rate (%)	**97**	97	94
Net wells	**10.9**	5.1	9.3

ROYALTY LANDS PRODUCTION VOLUMES

(BOE/D) YEARS ENDED DECEMBER 31	Average Royalty (%)	1999	1998	1997
Western Alberta	0.5	**655**	722	743
Sask. Heavy Oil	4.9	**483**	469	536
Lloyd./Bonnyville	2.9	**449**	457	459
Southeastern Alberta	1.0	**309**	309	378
Bashaw/Leduc	0.4	**284**	307	365
Provost	1.9	**158**	197	274
Hatton/Gull Lake	0.9	**166**	209	124
Other	0.6	**131**	133	192
Total	0.9	**2,634**	2,803	3,071

Royalty Lands

Freehold has royalty interests in over 12,000 wells spread out over western Canada. Production from the royalty properties is comprised of 70 percent oil and NGLs, and 30 percent natural gas.

Improved oil prices beginning in the second quarter of 1999 had a positive impact on the performance of Freehold's land base.

Production

Production from the royalty lands was 2,634 barrels of oil equivalent, down six percent from 1998. A total of 287 wells were drilled on Freehold's royalty lands during 1999, down slightly from the 305 wells drilled in 1998. Most of the drilling occurred in the last half of 1999. By virtue of its mineral title ownership, Freehold receives lessor royalties from seven potash units located in Saskatchewan. As part of an agreement negotiated in 1993 with its joint title owner affecting six of the potash mines, Freehold receives 100 percent of all potash royalties until the sum of $3.0 million is reached. As a result of achieving payout of the $3.0 million during the first half of 2000, Freehold's potash royalty revenue is expected to be reduced by one-third.

Developments On Royalty Lands

The Trust's royalty properties are highly diverse, and have been divided into seven geographical areas for review purposes. Opportunities exist for lessees to continue with drilling and expansion of production volumes in all areas. The most significant opportunities are in Saskatchewan Heavy Oil, Lloydminster/Bonnyville, Hatton/Gull Lake and Southeastern Alberta. At year-end 1999, Freehold had royalty interests in 104,067 acres of undeveloped land.

Alberta

Western Alberta

Freehold has royalty interests in 87,959 gross acres and 2,545 wells in Western Alberta. The area ranks highest for Freehold in terms of production and reserves. Production in 1999 of 370 barrels of oil per day and 2.8 million cubic feet of natural gas per day declined nine percent compared to 1998 rates. This resulted from the reduced drilling by lessees as only 20 wells were drilled compared to 29 in 1998.

Lloydminster/Bonnyville

In the Lloydminster/Bonnyville area east of Edmonton, the Trust receives royalty income from approximately 1,100 unit and non-unit wells on 69,428 gross acres of royalty lands. The Trust's production of 353 barrels of oil per day and 1.0 million cubic feet per day of natural gas is unchanged from the previous year. Drilling activity in this area of 15 (1.6 net) wells was reduced from the 33 wells drilled in 1998. Talisman Energy drilled nine (1.1 net) oil wells at Chauvin in late 1999. Renaissance Energy drilled three (0.4 net) wells at Fort Kent, with one well being classified as oil, and Husky Oil has licenced 13 (0.3 net) wells to be drilled in early 2000 at the Wildmere Lloydminster A Unit No. 1.

Southeastern Alberta

Freehold owns a royalty interest in 124,055 gross acres in Southeastern Alberta where it receives royalty income from over 3,000 wells. Approximately 40 percent of the wells drilled on Freehold's royalty properties during 1999 were drilled in this region. The majority of this drilling was for natural gas development, with 95 reported gas wells drilled. This drilling was instrumental in maintaining Freehold's gas production from the area at 1.3 million cubic feet per day in 1999. Many of the gas wells drilled during 1999 are expected to be on production in 2000.

In Southeastern Alberta, seven oil wells were drilled in 1999, compared to 16 wells in 1998. However, this level of drilling did not alleviate the decline in oil production to 182 barrels of oil per day from 191 barrels of oil per day in 1998.

Approximately 144 percent of Freehold's production in this area was replaced by the lessees drilling efforts during 1999. Wells were drilled on Freehold's properties at Suffield, Princess, Cessford, Alderson and Medicine Hat. Active lessees include Alberta Energy Company, PanCanadian, Canadian Natural Resources, Crestar Energy and Cypress Energy.

Bashaw/Leduc

Twenty-three (0.6 net) wells were drilled in this area during 1999. Due to the low level of drilling, only 14 percent of reserves were replaced. As a result, production declined to 284 barrels of oil equivalent per day in 1999 from 307 barrels of oil equivalent per day in 1998.

Avalanche Energy recently drilled seven oil wells at Redwater. These results are not yet reflected in Freehold's reserves or production reporting.

Provost

The oil prone area of Provost experienced limited activity on Freehold's lands during 1999. Ten (0.1 net) wells were drilled in 1999, approximately the same as in 1998, but considerably lower than the 40 wells drilled during 1997. As a result, production declined to 158 barrels of oil equivalent per day in 1999 from 197 barrels of oil equivalent per day in 1998.

SASKATCHEWAN

Saskatchewan Heavy Oil

The Trust has royalty interests in 61,495 gross acres and 880 wells in this area which ranks highest in terms of production growth and average royalty interest. Production increased during 1999, resulting from lessees' drilling of 30 (3.3 net) wells and returning shut-in wells to production, both in response to the more favourable oil pricing. Production increased three percent to 483 barrels of oil equivalent per day from 469 barrels of oil equivalent per day during 1998.

Drilling activity at Baldwinton, Luseland, Freemont and Tangleflags by lessees such as Beau Canada, Wascana, Opal Exploration and Canadian Natural Resources added reserves and replaced 300 percent of production.

Hatton/Gull Lake

The Hatton/Gull Lake area of southwestern Saskatchewan generates royalty revenue from shallow gas and oil production. Freehold has an interest in 127,950 gross acres which includes an interest in over 1,200 unit and non-unit wells, and 28,236 acres of undeveloped land. This was an active area for Freehold during 1999 as 29 (2.6 net) gas wells were drilled on these lands in the last half of 1999 out of a total 59 wells for the year.

During the year, Fletcher Challenge Energy drilled 15 (1.6 net) gas wells. Renaissance Energy drilled 26 (0.2 net) wells at Gull Lake, Suffield, North Premier, Verlo and Fosterton. Reserves added from this drilling activity replaced production by approximately 207 percent.

The drilling activity was not able to arrest production from declining to 166 barrels of oil equivalent per day in 1999 from 209 barrels of oil equivalent per day during 1998. Most of this drilling occurred late in the year, therefore, the full impact is not yet reflected in Freehold's reported production rates.

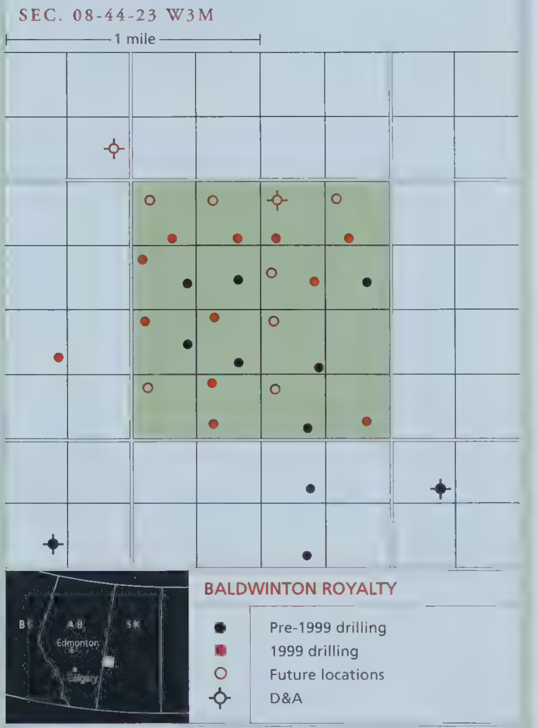
Royalty Lands Profile

Baldwinton, Saskatchewan

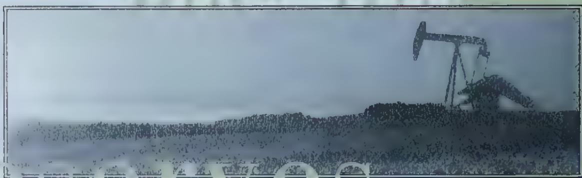
Freehold's Baldwinton property, 130 miles southeast of Edmonton, in the Saskatchewan Heavy Oil area, was a source of tremendous growth during 1999. Production has nearly tripled as a result of the lessee drilling 11 (1.4 net) successful oil wells.

Freehold owns the title to this 640-acre property and has leased the rights in return for a 12.5 percent royalty.

The first well on the property was drilled in 1981, producing 10 barrels of oil per day for 15 years until the downhole pumping equipment was changed to the more advanced screw pump technology now commonly in use. Production then increased to 35 (four net) barrels per day. An additional six wells were drilled in 1997, increasing the pool production to 350 (43 net) barrels per day. Production levels are now approaching 890 (111 net) barrels per day due to production additions from five of the 11 successful wells drilled during 1999. Further production growth can be expected as the remaining six wells commence production. In addition, four locations are planned to be drilled during the second quarter of 2000.



Freehold's reserves, with a reserve life index of almost 16 years, will generate revenue for many years.



Working Interest Properties

Freehold owns interests in 71 working interest properties. Production from these properties is comprised of approximately 80 percent oil and NGLs, and 20 percent natural gas. The majority (57 percent) of the Trust's working interest production comes from three properties – Hayter, Pembina Cardium Unit No. 9, and Pouce Coupe – all located in Alberta.

Production

Working interest production accounted for 1,704 barrels of oil equivalent in 1999, down 12 percent from 1,934 barrels of oil equivalent in 1998. A decrease in oil production of 207 barrels per day was largely the result of production declines at Hayter not being offset by new development drilling as originally planned. Beginning in the fourth quarter of 1999, drilling resumed at Hayter.

Drilling Activity

In 1999, 32 (1.1 net) wells were drilled on the working interest properties, up from 27 (0.9 net) wells during 1998. Three (0.7 net) of these wells were drilled at Hayter, adding to the Dina pool production rates. Twenty-five (0.1 net) wells were drilled on the Ring Border gas pool. One dual leg horizontal oil well was drilled at North Virden Scallion Unit No. 2 (7.5 percent working interest) that commenced production in December 1999 at 175 (13 net) barrels of oil per day. The remaining four (0.2 net) wells were drilled on four different properties. Including recompletions, this activity is estimated to add approximately 55 barrels of oil equivalent per day for 2000.

Freehold will spend approximately $5.0 million on development projects during 2000. Of this amount, $2.5 million will be spent at Hayter drilling wells and for related facilities, and $1.7 million will be incurred developing Freehold's Chauvin property. The remaining capital will be spent on miscellaneous properties.

WELLS DRILLED ON WORKING INTEREST PROPERTIES

	YEARS ENDED DECEMBER 31					
	1999		1998		1997	
	Gross	**Net**	Gross	Net	Gross	Net
Oil	**6**	**1.0**	10	0.8	27	5.1
Natural gas	**26**	**0.1**	16	0.1	22	0.1
Service/other	**–**	**–**	–	–	–	–
Dry and abandoned	**–**	**–**	1	–	1	0.1
Total	**32**	**1.1**	27	0.9	50	5.3
Success rate (%)		**100**		96		98

WORKING INTEREST PRODUCTION

(BOE/D)	YEARS ENDED DECEMBER 31		
	1999	1998	1997
Hayter	**677**	841	1,053
Pembina Cardium Unit No. 9	**194**	207	217
Pouce Coupe	**99**	111	116
Other	**734**	776	1,004
Total	**1,704**	1,934	2,390

Major Working Interest Properties

Hayter

Freehold owns 23.52 percent of the title and a 23.52 percent working interest in this 640-acre property in the Hayter area of east central Alberta. The pool was originally developed with vertical wells. Beginning in 1993, the owners expanded the property from 250 (58 net) barrels of oil per day by investing approximately $30.0 million to install upgraded facilities and drill approximately 55 horizontal wells. As a result, during 1996 and 1997, production averaged approximately 4,300 (1,000 net) barrels of oil per day.

The working interest owners had planned additional development drilling locations, however, the drilling program was postponed until late in 1999 due to low oil prices. With drilling deferred, the pool declined to approximately 2,600 (610 net) barrels of oil per day. Two of the three wells drilled in late 1999 added approximately 400 (100 net) barrels of oil per day for 20 days in December, or 260 (63 net) barrels of oil per day for the month. The remaining well did not commence production during the month.

Eleven additional wells have been approved by the working interest owners to be drilled commencing February 2000. It is expected that Freehold's production will reflect the full impact of this drilling by the third quarter of 2000.

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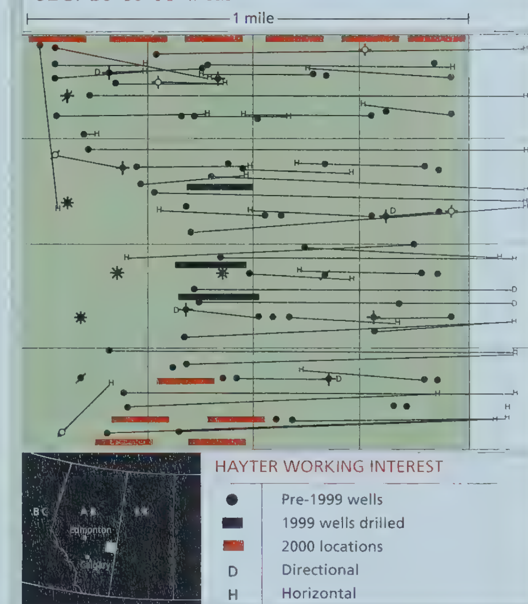


Pembina Cardium Unit No. 9

Freehold has a 9.9 percent working interest and a 0.6 percent royalty interest in the Pembina Cardium Unit No. 9 located 85 miles southwest of Edmonton. Light oil production is from part of the Pembina oilfield, the largest conventional oilfield discovered in Canada. The Unit encompasses approximately 25,280 acres, and has been on an 80-acre, five-spot waterflood pattern for more than 40 years.

Operatorship of the Unit changed during 1999, and the new operator is investigating development opportunities. Results from two wells drilled during 1998 have encouraged the operator to drill five additional wells in early 2000.

Pouce Coupe

Freehold owns a 26 percent interest in the Pouce Coupe South Boundary "B" Unit No. 2 in west central Alberta. This property is under waterflood and produces light oil from the Boundary Lake formation.

Freehold's share of production from this Unit has declined to approximately 99 barrels of oil equivalent per day during 1999 compared to 111 barrels of oil equivalent per day during 1998.

Other Working Interest Properties

Sixty-eight other properties accounted for 43 percent of the working interest production volumes during 1999. Development activities did not offset normal decline, and, as a result, production volumes of 734 barrels per day for this "other" category decreased from the 776 barrels per day reported in 1998.

Active areas during 1999 included the North Virden Scallion Unit in Manitoba, and the Hays and Chauvin properties in Alberta. At Chauvin, the operator is proposing a multi-well drilling program and waterflood implementation during 2000.

Reserves

Freehold's year-end reserves of 25.1 million barrels of oil equivalent were four percent below those at 1998 year-end. The Trust replaced 65 percent of its annual production in 1999 through development activities on its lands. This was achieved at a low total net reserve replacement cost of $1.52 per barrel of oil equivalent.

Freehold's reserves have been evaluated as at January 1, 2000 by Grant Trimble Engineering Ltd., an Alberta-based company that has provided consulting services to the petroleum industry for over 25 years. Their expertise has been recognized, and their evaluation reports accepted, by all major securities commissions and chartered banks in Canada, as well as the Securities and Exchange Commission in the United States. Freehold's Audit Committee meets with the reserve evaluators on an annual basis.

SUMMARY OF RESERVES

	1999		1998		1997	
	Proven	**Established***	Proven	Established*	Proven	Established*
Oil and NGLs (Mbbls)	**15,232**	**19,065**	16,784	20,137	15,986	20,517
Natural gas (Mmcf)	**51,627**	**59,979**	50,928	58,893	50,654	61,752
Total (Mboe)**	**20,395**	**25,063**	21,877	26,026	21,052	26,693
Potash (Mtonnes)	**72,844**	**72,844**	73,261	73,261	73,683	73,683

*Probable reserves are risked at 50%

**10 mcf = 1 barrel of oil equivalent

RESERVES BY PROVINCE

	EFFECTIVE DECEMBER 31, 1999		
	Oil and NGLs (Mbbls)	Natural Gas (Bcf)	Combined Equivalent (Mboe)
Proven			
Alberta	12,225	46,442	16,869
British Columbia	29	254	55
Saskatchewan	2,922	4,923	3,414
Manitoba	56	8	57
Probable*			
Alberta	2,943	7,315	3,675
British Columbia	13	81	21
Saskatchewan	849	954	945
Manitoba	27	2	27
Established	19,065	59,979	25,063

*Probable reserves are risked at 50%

RESERVES RECONCILIATION

	Oil and NGLs (Mbbls)		Natural Gas (Mmcf)		Combined Equivalent (Mboe)		
	Proven	Probable*	Proven	Probable*	Proven	Probable*	Established
Balance January 1, 1999	16,784	3,353	50,928	7,964	21,877	4,149	26,026
Reserve additions	465	301	2,486	76	714	308	1,022
Acquisitions	–	–	–	–	–	–	–
Revisions/divestitures	(840)	179	2,283	312	(612)	210	(402)
Production	(1,177)	–	(4,070)	–	(1,584)	–	(1,584)
Balance January 1, 2000	15,232	3,832	51,627	8,352	20,395	4,668	25,063
Change over prior year	(1,552)	479	699	388	(1,482)	518	(964)

*Probable reserves are risked at 50%

PRICE FORECAST

	Oil	Gas		Natural Gas Liquids		
	WTI Cushing Oklahoma† (Bbls) $U.S.	Edmonton Par Price 40°API (Bbls) $Cdn.	Alberta Plant Gate (Mmbtu) $Cdn.	Propane (Bbls) $Cdn.	Butane (Bbls) $ Cdn.	Pentane (Bbls) $Cdn.)
2000	20.00	27.51	2.79	14.86	15.99	28.17
2001	20.30	27.13	2.68	14.66	15.77	27.78
2002	20.60	27.15	2.65	14.67	15.78	27.81
2003	20.91	27.56	2.69	14.89	16.02	28.23
2004	21.23	27.98	2.73	15.12	16.27	28.66

† 40° API, 0.4% sulphur.
Gas prices escalated at 1.5% after the year 2004.
October 1, 1999 price forecast by Sproule Associates Limited

Oil prices escalated at 1.5% after the year 2004.
The U.S./Cdn. dollar exchange rate is forecast to be $0.70 in 2000, $0.72 in 2001, $0.73 thereafter.

POTASH PRICE FORECAST

	EFFECTIVE JANUARY 1, 2000				
	2000	2001	2002	2003	2004
$U.S. (Tonne)	91	94	96	97	99
$Cdn. (Tonne)	124.66	128.77	130.92	133.53	136.21

+2 thereafter. Forecast by LAS Energy Associates Ltd.

The U.S./Cdn. dollar exchange rate is forecast to be $0.73 throughout the period.

PRESENT WORTH OF ESTIMATED FUTURE CASH FLOW

($000s) Discounted at	0%	10%	12%	15%
Proven producing	443,871	162,563	146,741	128,795
Proven non-producing	22,097	11,785	10,754	9,492
Total proven	465,968	174,348	157,495	138,287
Probable*	137,430	19,717	16,317	12,850
Established reserves	603,398	194,065	173,812	151,137
Potash	25,691	6,110	5,232	4,316
ARC	2,803	1,685	1,568	1,424
Total	631,892	201,860	180,612	156,877

*Probable reserves are risked at 50%

Net Asset Value

Based on the independent evaluation of the Trust's established reserves at December 31, 1999, discounted at 12 percent, the Trust's net asset value was $5.44 per Trust Unit, up from $4.10 at year-end 1998. The increase in asset value per Trust Unit is primarily attributable to higher forecasts of future oil and gas prices being used at year-end 1999, compared to those used in 1998. The net asset values are determined on a pre-tax basis.

NET ASSET VALUE

($000S, EXCEPT UNIT DATA) Discounted at	10%	12%	15%
Present value of crude oil and natural gas reserves	$ 195,750	$ 175,381	$ 152,561
Present value of potash reserves	6,110	5,232	4,316
Undeveloped land	624	624	624
Reclamation fund	566	566	566
Working capital	4,736	4,736	4,736
Bank debt	(41,638)	(41,638)	(41,638)
Net asset value	166,149	144,902	121,166
Trusts Units outstanding	26,648,000	26,648,000	26,648,000
Net asset value per Trust Unit	$ 6.23	$ 5.44	$ 4.55

RESERVE LIFE, REPLACEMENT AND RECYCLE STATISTICS

	1999	1998	1997
Total established reserves at December 31 (Mboe)	**25,063**	26,026	26,693
Reserve life index (years)	**15.8**	15 1	13.4
Established reserves added (Mboe)	**1,022**	734	4,976
Annual production (Mboe)	**1,584**	1,729	1,993
Reserve replacement ratio (net of revisions)	**0.4**	0.6	1.8
Average operating netback per barrel of oil equivalent	**$ 20.03**	$ 11.61	$ 16 68
Finding, development and acquisition cost per barrel of established reserves (including revisions)	**$ 1.52**	$ 1.58	$ 8.09
Reserve recycle ratio	**11.4**	5.6	1 8

Management's Discussion and Analysis

Highlights

- The Trust's 1999 results were positively affected by higher oil prices received during the last three-quarters of the year, as well as higher natural gas prices year-over-year;
- Net earnings rose to $8.8 million in 1999 compared to a net loss of $9.2 million during 1998;
- In 1999, the Trust reduced short-term debt by $3.2 million, ending the year at $2.4 million. The Trust's long-term debt of $39.3 million was unchanged from 1998;
- Combined operating costs, general and administrative costs and management fees of $3.71 per barrel of oil equivalent were among the lowest for all conventional oil and gas royalty trusts; and
- During the year, Freehold was converted from a closed-end to an open-end trust. The conversion to open-end status allows the Trust to make acquisitions of corporations, whereas previously the Trust could only acquire properties from a corporation.

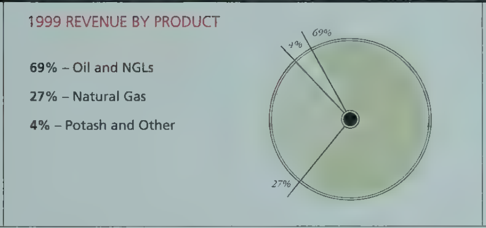
high

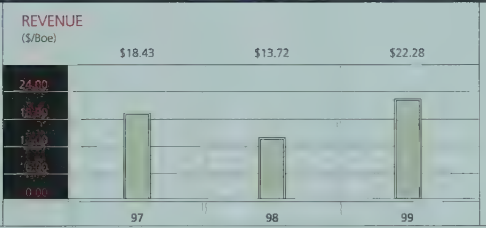
netbacks

Freehold pays no capital expenditures, operating costs or environmental costs on its royalty lands, resulting in superior netbacks, which maximizes the income distributed to our Unitholders.

Results of Operations

Total revenues of $35.3 million were up 49 percent over 1998 revenues of $23.7 million. Average oil and natural gas liquids prices of $21.37 per barrel for 1999 were 64 percent higher than the $13.00 per barrel received in 1998. Natural gas prices of $2.48 per thousand cubic feet were 30 percent higher than the $1.91 per thousand cubic feet reported in the prior year.





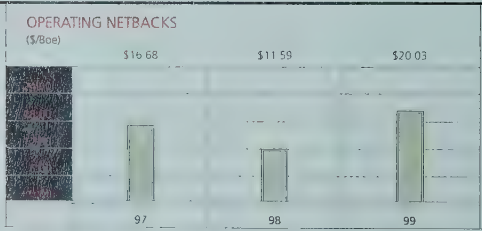
SALES PRICES

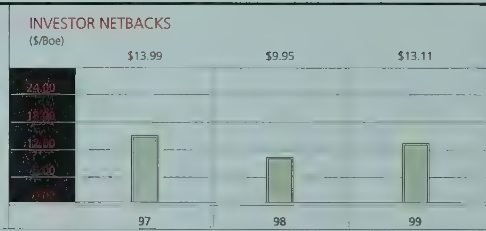
	1999	1998	% Change
Oil and NGLs ($/Bbl)	**21.37**	13.00	+64
Natural gas ($/Mcf)	**2.48**	1.91	+30
Oil Equivalent ($/Boe)	**22.25**	14.54	+53
Potash ($/Tonne)	**157.56**	147.52	+7

Freehold's netback to investors rose 32 percent to $13.11 per barrel of oil equivalent in 1999 from $9.95 per barrel of oil equivalent in 1998 due to a 33 percent increase in the West Texas Intermediate (WTI) oil price from an average of $14.42 per barrel in 1998 to $19.24 per barrel in 1999.

1999 NETBACK ANALYSIS

($/BOE)	Royalty Lands	Working Interest Properties	Total
Sales Price	$ 22.96	$ 23.00	$ 22.97
Royalties and mineral taxes	–	(2.31)	(0.91)
ARC	–	0.53	0.21
Operating expenses	–	(5.72)	(2.24)
Operating netback	$ 22.96	$ 15.50	$ 20.03
Administration	(1.19)	(1.19)	(1.19)
Capital taxes	–	(0.12)	(0.05)
Interest	(0.75)	(2.71)	(1.52)
Site restoration fund	–	(0.33)	(0.13)
Income before capital expenditures	$ 21.02	$ 11.15	$ 17.14
Capital expenditures	–	(1.51)	(0.59)
Working capital replacement	(3.44)	(3.44)	(3.44)
Investor distributions	$ 17.58	$ 6.20	$ 13.11





Production

Production for the full year averaged 4,338 barrels of oil equivalent per day, down eight percent from 1998. Production from the royalty lands declined by 169 barrels of oil equivalent per day, or six percent for the year. Most of the heavy oil shut in during 1998 was returned to production in 1999. Drilling by various operators on Freehold's royalty lands resulted in 83 barrels of oil equivalent per day of new production by year-end, helping to partially offset normal decline. Working interest production declined 230 barrels of oil equivalent per day, or 12 percent for the year. Most of this decline occurred at the Hayter, Alberta property where additional drilling to maintain production was delayed until the end of the year.

AVERAGE DAILY PRODUCTION SUMMARY

	1999	1998	% Change
Oil (Bbls/d)	**2,921**	3,208	-9
NGLs (Bbls/d)	**302**	339	-11
Natural gas (Mmcf/d)	**11.2**	11.9	-6
Oil Equivalent (Boe/d)	**4,338**	4,737	-8
Potash (Tonnes/d)	**14.2**	15.3	-7

PRODUCTION RECONCILIATION (Boe/d)

Average daily production rate – 1998	4,737
Drilling on royalty lands	83
Enhancement program and return of shut-ins	112
Acquisitions/Dispositions	–
Natural decline	(594)
Average daily production rate – 1999	4,338

Marketing

The Trust markets its working interest crude oil production using 30-day contracts to ensure the highest competitive pricing. Due to the large number of royalty properties and the generally small volumes per property, the Trust relies upon the marketing capabilities of the individual lessees. The Trust does not market its natural gas production. The diverse number and modest size of the working interest properties result in more effective marketing of Freehold's gas with the operators' gas. A provision of the leases calls for the Trust's royalty gas to be marketed with the lessees' production.

Expenses

Royalties are paid by oil and gas companies to the owners of mineral rights with whom companies hold leases. Generally, these are paid to the Crown (provincial and federal governments), freehold owners, and other operators with whom the companies have joint interests. As the Trust is a mineral title owner on most of its royalty production, no royalties are paid to others on Freehold's share of production from the royalty lands (Freehold receives the royalty from other companies). On the Trust's working interest properties where it does pay royalties, the total royalty expense in 1999 was $1.4 million, or four percent of total revenues, compared to $1.4 million, or six percent of total revenues in 1998. This overall effective low royalty expense contributes significantly to the higher netback enjoyed by Freehold's Unitholders.

The original Trust properties (Hudson's Bay Royalty Lands and working interest properties) were not eligible for Alberta Royalty Credit (ARC) because they were considered "restricted resource properties" under the Alberta Corporate Tax Act. In 1997, the Trust acquired various working interest properties which were eligible for ARC. To the end of 1999, there have been no further acquisitions. The Trust recorded ARC of $0.3 million in 1999, compared to $0.2 million in 1998.

The Trust does not incur operating costs on production from its royalty lands. Operating expenses for the working interest properties were $3.6 million for 1999 ($5.72 per barrel of oil equivalent), compared to $3.7 million ($5.18 per barrel of oil equivalent) in 1998. Operating costs for the total operations of the Trust (including the royalty lands), averaged $2.24 per barrel of oil equivalent in 1999, compared to $2.11 per barrel of oil equivalent reported in 1998.

OPERATING EXPENSES

($ MILLIONS EXCEPT PER BOE)	YEARS ENDED DECEMBER 31		
	1999	1998	1997
Working interest properties	**3.6**	3.7	3.6
per Boe ($)	**5.72**	5.18	4.15
Royalty interest properties	**–**	–	–
per Boe ($)	**–**	–	–
Combined operating expenses	**3.6**	3.7	3.6
per Boe ($)	**2.24**	2.11	1.81

General and administrative costs for 1999 of $1.9 million ($1.19 per barrel of oil equivalent), were a 16 percent improvement over the 1998 total of $2.3 million ($1.30 per barrel of oil equivalent). This decrease was due to lower contract manpower costs and higher overhead recoveries recorded in 1999. Overhead recoveries of $0.2 million were credited against general and administrative expenses during 1999, compared to a credit of $0.1 million in 1998. No general and administrative costs have ever been capitalized.

GENERAL AND ADMINISTRATIVE EXPENSES

($ MILLIONS)	YEARS ENDED DECEMBER 31		
	1999	1998	1997
Gross G&A	**2.1**	2.3	2.3
Overhead recoveries	**0.2**	0.1	0.1
Net G&A	**1.9**	2.2	2.2
Net G&A per Boe ($)	**1.19**	1.30	1.14

The Manager is a wholly owned subsidiary of Rife Resources Ltd., which is 100 percent owned by the CN Pension Trust Fund (the pension fund for the employees of the Canadian National Railway System). As part of the management agreement, the Manager is reimbursed for overhead expenditures and receives a management fee paid in Trust Units. During 1999, the Manager received 80,000 Trust Units as the management fee, bringing the total number of Units received by the Manager since inception of the Trust in late 1996 to 248,000.

Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties payable. Reserves are converted to equivalent units on the basis of relative energy content (six thousand cubic feet of natural gas to one barrel of oil). During 1999, the provision for depletion was $17.9 million ($11.32 per barrel of oil equivalent), compared to $23.7 million ($13.69 per barrel of oil equivalent) in 1998.

The Trust and Freehold Resources Ltd. are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. No similar responsibilities arise from the royalty lands. Current environmental obligations are expected to be funded out of cash flow. The Trust's estimated share of future environmental and reclamation obligations for the working interest properties is approximately $4.8 million.

A reclamation fund, consisting of cash invested in an interest–bearing account, has been established and is funded by quarterly cash payments. A total of $203,000 was paid into the reclamation account in 1999 (1998 – $215,000). During the period, $46,000 (1998 – $34,000) in site restoration expense was paid from the reclamation fund.

Income Taxes

The Trust paid taxes of $73,000 in 1999 (1998 - $98,000). These taxes consist of Large Corporations Tax, which is incurred on taxable capital employed in Canada, and the Saskatchewan Capital Tax and Surcharge applied to both taxable capital and gross revenues in that province.

Unitholder Taxation

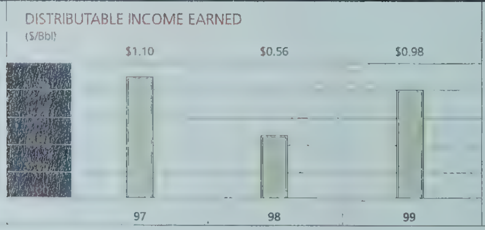
The Trust is able to claim certain tax deductions available to all owners of oil and gas properties. By utilizing two principal deductions – the Canadian Oil and Gas Property Expense (COGPE) and the Resource Allowance deduction – cash distributions in the initial years are sheltered from income tax. Over time, an increasing percentage of the annual distributions will become taxable. It is anticipated that a portion of income will become taxable in the taxation year 2001.

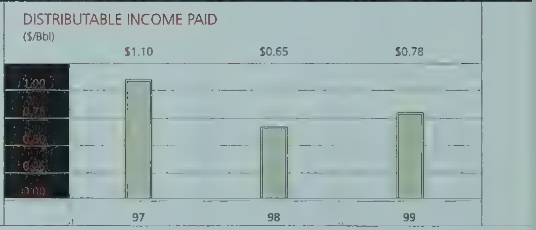
TAX POOLS

($000S)	YEARS ENDED DECEMBER 31		
	1999	1998	1997
Canadian oil and gas property expense	**182,112**	202,337	224,828
Canadian development expense	**3,214**	3,891	4,567
Canadian exploration expense	**55**	53	16
Capital cost allowance	**6,570**	8,497	10,431
Unit issue expenses	**4,592**	7,223	9,853
Non-capital loss carryovers	**27,841**	25,678	15,133

Distributable Income

Income available for distribution in 1999 was up 76 percent to $26.2 million from $14.9 million in the previous year. Throughout the year, the Trust continued to strengthen its balance sheet by repaying short-term debt and improving its working capital position by $5.5 million, whereas during 1998 the Trust accessed working capital of $2.3 million. After strengthening the balance sheet, the Trust declared actual distributable income of $20.8 million ($0.78 per Trust Unit), up from the $17.2 million ($0.65 per Trust Unit) in 1998.



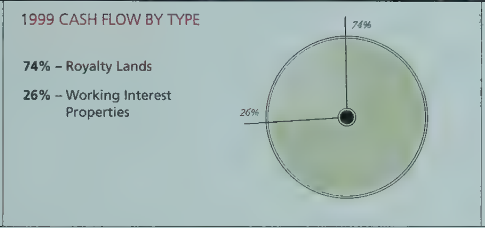


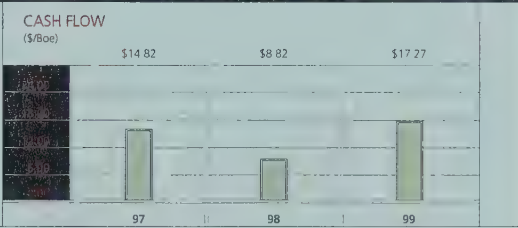
RECONCILIATION OF DISTRIBUTABLE INCOME

	Q1 99	Q2 99	Q3 99	Q4 99	Total 1999
Distributable income 1998	$ 0.1700	$ 0.1725	$ 0.1575	$ 0.1500	$ 0.6500
Impact of higher commodity prices	$ 0.0320	$ 0.1090	$ 0.1772	$ 0.2777	$ 0.5959
Effect of increased (decreased) production	$ (0.0439)	$ (0.0454)	$ (0.0439)	$ (0.0319)	$ (0.1651)
Impact of interest, production expenses and other charges	$ (0.0042)	$ (0.0037)	$ 0.0022	$ (0.0029)	$ (0.0086)
Working capital replacement	$ (0.0239)	$ (0.0924)	$ (0.0930)	$ (0.0829)	$ (0.2922)
Distributable income 1999	$ 0.1300	$ 0.1400	$ 0.2000	$ 0.3100	$ 0.7800

Cash Flow

Cash flow from operations rose 80 percent to $27.4 million compared to $15.2 million in 1998. Royalty lands provided 74 percent of cash flow during 1999.





Capital Expenditures

The Trust may only make capital expenditures on working interest properties to maintain or improve production. Exploratory drilling may not be initiated by the Trust. The amount of capital which can be funded from cash flow is limited to ensure distributions are not significantly reduced in any one year. This limit is presently set at five percent of annual cash flow from operations. Additional capital expenditures above this limit are financed with borrowings, additional issuances of Trust Units, or proceeds from the disposition of assets. During 1999, the Trust incurred $0.9 million in capital expenditures (1998 - $1.8 million). The 1999 capital expenditures were funded entirely from cash flow, whereas the 1998 capital expenditures were funded by $0.2 million in cash flow and $1.6 million from an operating line of credit (short-term debt).

The Manager and the Board of Directors believe that the current annual capital expenditure restriction of five percent unduly restrains the Trust's ability and flexibility to effect value-enhancing transactions and hence to increase future Unitholder distributions. Therefore, it is being proposed that, subject to Unitholder approval at the Annual and Special Meeting to be held on May 3, 2000, the Trust Indenture be amended such that references to five percent of net cash flow be replaced with 15 percent of net cash flow.

Liquidity and Capital Resources

The Trust is in compliance with its guidelines which limit the amount of borrowing. During 1999, the credit facility was maintained at $65.0 million. The credit facility is comprised of two components:

1) A $40.0 million committed operating facility for general corporate and royalty trust purposes to assist the Trust with acquisitions. There were no additions to this facility during 1999, therefore at year-end 1999, the Trust's long-term debt remained at $39.3 million. This facility bears interest at Prime and has no fixed repayment terms.

2) A $25.0 million demand production facility for normal operating requirements of the Trust. During 1999, the Trust reduced its operating line of credit to $2.35 million, compared to the balance at year-end 1998 of $5.5 million. This credit facility can also be used for acquisitions.

TOTAL DEBT REPAYABILITY

($000s)	**1999**	1998	1997
Long-term debt	**$ 39,288**	$ 39,288	$ 38,175
Short-term (operating line)	**$ 2,350**	$ 5,500	$ –
Working capital	**$ 4,736**	$ 2,436	$ (230)
Net obligations	**$ 36,902**	$ 42,352	$ 38,405
Cash flow (funds generated from operations)	**$ 27,350**	$ 15,244	$ 30,805
Ratio of debt-to-cash flow	**1.3**	2.8	1.3

Sensitivity

Oil and gas price fluctuations, interest rate changes, Canadian/U.S. dollar exchange rates, levels of production and light/heavy oil differentials can all affect distributable income of the Trust. The following table provides an analysis of the key factors which can influence distributable income.

	Distributable Income ($000s)	Distributable Income per Trust Unit ($)
Change of $U.S. 1.00/Bbl in the price of crude oil	1,574	0.059
Change of $0.10/Mcf in the price of natural gas	393	0.015
Change of $0.01 in the Cdn./U.S. dollar exchange rate	529	0.020
Change of 1% in interest rates	416	0.016
Change of 100 Bbls/d of oil and NGLs	970	0.036
Change of 1,000 Mcf/d of gas	967	0.036
Change of $Cdn 1.00 in light/heavy oil differential	1,049	0.039

Business Risks

Business risks associated with the development, production, acquisition, and marketing of oil and gas production are common to virtually all companies in the industry. These include fluctuations in commodity prices, unanticipated production declines, exchange rates, interest rates, and changes in government regulations. While Freehold has no control over these variables, it minimizes the risks by utilizing the following strategies:

- Acquire properties which meet or exceed Freehold's investment criteria and which have the characteristics of high netbacks, long reserve life, low risk development potential and product diversification;
- Control costs to maximize profitability;
- Market products to a diverse range of buyers and consider the forward selling of products under certain circumstances. Freehold does not currently have any commodity price, exchange rate or interest rate hedging programs in place;
- Meet or exceed industry standards for liability insurance; and
- Limit the size of any one property with respect to total assets of the Trust.

Year 2000

The Trust's Manager was responsible for the Year 2000 assessment and remediation program which began in late 1997. All costs related to the Year 2000 readiness program were the sole cost of the Manager. Freehold incurred no costs relative to this exercise. At year-end 1999, all aspects of the Year 2000 readiness program were in place. At the time of this report, the Trust had experienced no business interruption or material adverse consequences related to the Year 2000 date change.

Outlook

Please see the President's Message on page 2 of this report for a discussion of the Trust's future business prospects.

Management's Responsibility for Financial Statements

The accompanying combined financial statements of Freehold Royalty Trust have been prepared by management in accordance with generally accepted accounting principles.

Management is responsible for the preparation of the combined financial statements for Freehold Royalty Trust and for the consistency therewith of all other financial and operating data presented in the annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, KPMG LLP, have examined the combined financial statements of Freehold Royalty Trust. The Audit Committee, consisting of independent directors of Resources, has reviewed these statements with Management and the auditors, and has recommended their approval to the Board of Directors. The Board has approved the combined financial statements contained in this annual report.

David J. Sandmeyer
President & Chief Executive Officer
February 14, 2000

Joseph N. Holowisky
Vice-President, Finance & Administration
& Chief Financial Officer and Secretary

Auditors' Report

To the Unitholders of Freehold Royalty Trust

We have audited the combined balance sheets of Freehold Royalty Trust as at December 31, 1999 and 1998 and the combined statements of income, distributable income, Unitholders' equity and cash flows for the years ended December 31, 1999 and 1998. These combined financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years ended December 31, 1999 and 1998 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 14, 2000

Combined Balance Sheets

($000s)	December 31 1999	December 31 1998
Assets		
Current assets:		
Cash	**$ 68**	$ 84
Accounts receivable	**8,838**	5,715
	8,906	5,799
Reclamation fund *(note 6)*	**566**	409
Petroleum and natural gas interests, net of accumulated depletion and depreciation of $70,657 (1998 – $52,731)	**222,840**	239,826
	$ 232,312	$ 246,034
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	**$ 1,865**	$ 1,328
Accounts payable and accrued liabilities	**2,305**	2,035
Bank indebtedness *(note 2)*	**2,350**	5,500
	6,520	8,863
Provision for future site restoration *(note 6)*	**566**	409
Long-term debt *(note 2)*	**39,288**	39,288
Unitholders' equity *(note 3)*	**185,938**	197,474
	$ 232,312	$ 246,034

See accompanying notes to combined financial statements.

Approved on behalf of Freehold Royalty Trust by Freehold Resources Ltd., as Administrator:

William W. Siebens
Director

D. Nolan Blades
Director

Combined Statements of Income

($000s, EXCEPT PER UNIT DATA)	YEARS ENDED DECEMBER 31	
	1999	1998
Revenues:		
Royalty income	**$ 22,075**	$ 14,429
Working interest sales (net of royalties)	**13,195**	9,294
Operating expenses	**3,555**	3,655
Working Interest income	**9,640**	5,639
	31,715	20,068
Other expenses:		
Administrative	**1,882**	2,248
Interest on long-term debt	**2,155**	2,206
Other interest	**255**	272
Capital and Large Corporations Tax	**73**	98
	4,365	4,824
Funds generated from operations before non-cash expenses	**27,350**	15,244
Depletion and depreciation	**17,926**	23,670
Site restoration	**203**	215
Management fee	**438**	549
Net income (loss)	**$ 8,783**	$ (9,190)
Net income (loss) per Trust Unit	**$ 0.33**	$ (0.35)

Combined Statements of Distributable Income

($000s, EXCEPT PER UNIT DATA)	YEARS ENDED DECEMBER 31	
	1999	1998
Funds generated from operations before non-cash expenses	**$ 27,350**	$ 15,244
Deduct:		
Site reclamation fund contributions	**(203)**	(215)
Capital expenditures *(note 7)*	**(940)**	(170)
Income available for distribution	**$ 26,207**	$ 14,859
Income available for distribution per Trust Unit	**$ 0.98**	$ 0.56
Working capital use (replacement)	**(5,450)**	2,327
Distributable income	**$ 20,757**	$ 17,186
Distributable income per Trust Unit	**$ 0.78**	$ 0.65

See accompanying notes to combined financial statements.

Combined Statements of Unitholders' Equity

($000s)	Years ended December 31			
	1999		1998	
	Units	Dollars	Units	Dollars
Unitholders' equity, beginning of year	**26,568,000**	**$197,474**	26,488,000	$ 223,301
Net income (loss)	**–**	**8,783**	–	(9,190)
Distributions to Unitholders	**–**	**(20,757)**	–	(17,186)
Trust Units issued in lieu of management fee	**80,000**	**438**	80,000	549
Unitholders' equity, end of year	**26,648,000**	**$185,938**	26,568,000	$ 197,474

Combined Statements of Cash Flows

($000s)	Years ended December 31	
	1999	1998
Cash provided by (used in):		
Operating:		
Net income (loss)	**$ 8,783**	$ (9,190)
Items not involving cash:		
Depletion and depreciation	**17,926**	23,670
Site restoration	**203**	215
Trust Units issued in lieu of management fee	**438**	549
Funds generated from operations	**27,350**	15,244
Changes in non-cash operating working capital	**(2,853)**	1,561
	24,497	16,805
Financing:		
Bank indebtedness	**(3,150)**	5,500
Long-term debt	**–**	1,113
Distributions paid	**(20,220)**	(22,456)
	(23,370)	(15,843)
Investing:		
Development expenditures *(note 7)*	**(940)**	(1,790)
Site reclamation fund contributions	**(203)**	(215)
	(1,143)	(2,005)
Decrease in cash	**(16)**	(1,043)
Cash, beginning of year	**84**	1,127
Cash, end of year	**$ 68**	$ 84

Cash interest paid during 1999 was $2,377,000 (1998 – $2,433,000).
See accompanying notes to combined financial statements

Notes to Combined Financial Statements

Years ended December 31, 1999 and 1998.

Basis of Presentation

Freehold Royalty Trust (" the Trust") is an open-end investment trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated September 30, 1996 and amended on November 25, 1996 and May 4, 1999. The Trust holds a 99 percent royalty interest in Freehold Resources Ltd. ("Resources").

Resources was incorporated on June 3, 1996 and derives its income from certain oil and gas working interest properties.

These combined financial statements include the accounts of the Trust and Resources. All inter-entity transactions have been eliminated.

1. Significant Accounting Policies

(a) Property, plant and equipment:

The Trust follows the full-cost method of accounting.

All costs of acquiring, exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition, geological and geophysical, carrying charges of unproved properties, costs of drilling both productive and non-productive wells and directly related general and administrative costs. Costs are reduced by proceeds from the sale of oil and gas properties and by government grants. Gains and losses are not recognized upon disposition of oil and gas properties unless such a disposition would alter the rate of depletion by 20 percent or more.

(b) Ceiling test:

The Trust applies a ceiling test to the carrying value of oil and gas assets, net of the provision for site restoration, plus future development costs to ensure that such costs do not exceed future estimated net revenues from production of proven reserves at year-end prices and costs. Future revenues are calculated after deducting future general and administrative costs, financing costs, site restoration costs and Resources' income taxes.

(c) Depletion:

Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties. Reserves are converted to equivalent units on the basis of relative energy content.

(d) Provision for future site restoration:

Estimated future site restoration costs are provided for using the unit-of-production method. Costs are estimated by the Trust based on current regulations, costs, technology and industry standards. Actual site restoration costs are charged to the accumulated provision account as incurred.

(e) Income and other taxes:

– **Taxation of the Trust** The Trust is an inter vivos trust for income tax purposes. As such, the Trust is subject to tax on any taxable income which is not distributed to the Unitholders. No provision has been made for income taxes in these financial statements as the Trust allocates all of its income to its Unitholders. Therefore, income taxes are the responsibility of the individual Unitholders.

– **Taxation of Resources** The Resources Royalty payment by Resources to the Trust is deductible in computing Resources' taxable income and consequently it will generally be liable for income taxes only on its one percent interest.

(f) Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

(g) Cash:

Cash includes cash on deposit and highly liquid investments with original maturities of three months or less.

2. Long-Term Debt

The Trust has a $40.0 million committed operating facility on which $39,288,000 was drawn at December 31, 1999 and 1998. The facility is secured by a General Security Agreement from the Trust and Resources providing a first priority security interest in both Resources' and the Trust's assets and specific assignment of royalties. A demand debenture is pledged from both Resources and the Trust in the amount of $75.0 million, conveying a first floating charge over all property. The facility is subject to an annual review by the lender. The facility bears interest at prime and has no fixed repayment terms.

In addition, the Trust has available a $25.0 million demand production facility under the same terms and conditions as the operating facility, of which, $2.35 million was drawn down as at December 31, 1999 (1998 – $5.5 million).

3. Unitholders' Equity

The Trust has authorized an unlimited number of Trust Units of which 26,648,000 (1998 – 26,568,000) were issued at December 31, 1999. Resources has authorized share capital of an unlimited number of common shares. One hundred shares are issued and outstanding as at December 31, 1999 and 1998.

The Trust has reserved 1,980,000 Trust Units pursuant to a Trust Unit Option Plan. Options to purchase Trust Units may be issued to the directors of Resources or to Rife Resources Management Ltd. (the manager of the Trust).

As at December 31, 1999 and 1998, options to purchase 1,160,000 Trust Units were outstanding and vested. These options were held by directors and Rife Resources Management Ltd. 1,130,000 of the options are exercisable at $10.00 per Trust Unit until November 14, 2001. The remaining 30,000 options are exercisable at $6.65 per Trust Unit until August 12, 2003. The effect on net income per Trust Unit of these options being exercised is not dilutive.

The Trust reserved 400,000 Trust Units pursuant to its management agreement with Rife Resources Management Ltd., of which 248,000 have been issued to date (see note 5).

4. Distributions

Distributable income is paid on a monthly basis, with payments to be made on the 15th day following the month-end.

5. Related Party Transactions

Rife Resources Management Ltd. (the " Manager") provides certain services pursuant to a management agreement for an initial term of five years for a fee equal to 20,000 Trust Units per quarter. During 1999 and 1998, the management fee charged was 80,000 Trust Units in each year with an ascribed value of $438,000 (1998 – $549,000).

During the year, the Manager charged the Trust $1,452,000 (1998 – $1,323,000) in operating costs. At December 31, 1999, there was $358,000 (1998 – $534,000) included in accounts payable relating to these costs.

6. Future Site Restoration and Reclamation Cost

The Trust and Resources are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow. The total estimated future environmental and reclamation obligations in respect of the working interest properties are approximately $4,780,000 (1998 – $2,624,000). A reclamation fund, consisting of cash invested in an interest-bearing account, has been established and is funded by quarterly cash payments. During the period, $46,000 (1998 – $34,000) in site restoration was incurred and paid from the reclamation fund.

7. Capital expenditures

The amount of capital expenditures to be deducted from Distributable Income is limited to five percent of annual net cash flow from operations. Additional capital expenditures are financed with borrowings, additional issuances of Trust Units or proceeds from the disposition of assets.

Four-Year Review

($000s, EXCEPT UNIT DATA)	YEARS ENDED DECEMBER 31			
	1999	1998	1997	1996*
Financial				
Total revenues	**35,270**	23,723	38,289	3,983
Operating expenses	**3,555**	3,655	3,617	173
General and administrative expenses	**1,882**	2,248	2,277	199
Interest expense	**2,410**	2,478	1,549	54
Capital taxes	**73**	98	41	–
Depletion and depreciation	**17,926**	23,670	26,663	2,398
Site reclamation fund contributions	**203**	215	224	12
Capital expenditures	**940**	1,790	2,613	13
Distributable income	**20,757**	17,186	29,081	3,532
Per Trust Unit	**0.78**	0.65	1.10	0.13
Long-term debt	**39,288**	39,288	38,175	10,719
Unitholders' equity	**185,938**	197,474	223,301	248,464
Trust Units outstanding	**26,648,000**	26,568,000	26,488,000	26,408,000
Operating				
Production				
Oil and NGLs (Bbls/d)	**3,223**	3,547	3,913	3,356
Natural gas (Mmcf/d)	**11.2**	11.9	15.5	13.5
Oil equivalent (Boe/d)	**4,338**	4,737	5,461	4,704
Potash (Tonnes/d)	**14.2**	15.3	12.5	14.0
Average sales price				
Oil and NGLs ($/Bbl)	**21.37**	13.00	19.21	24.97
Natural gas ($/Mcf)	**2.48**	1.91	1.79	1.72
Oil equivalent ($/Boe)	**22.25**	14.54	18.84	22.75
Potash ($/Tonne)	**157.56**	147.72	114.29	105.00
Undeveloped land (gross acres)	**136,036**	132,609	77,906	49,000
Property acquisitions ($000s)	**–**	–	27,500	–
Established reserves (proven plus half probable) (Mboe)	**25,063**	26,026	26,693	25,060

** Initial 37 days of operation from November 25, 1996 to December 31, 1996*

Tax Information for Unitholders

During the 1999 taxation year, Freehold Royalty Trust Unitholders received a total of $0.76 in distributions, all of which was sheltered from tax. T3 tax slips will not be sent to our Unitholders for the 1999 taxation year because there are no taxable distributions for them to declare. Please note that the December 1998 distribution ($0.05 per Trust Unit) is included in this table as it was *received* in the 1999 taxation year. As well, the December 1999 distribution ($0.07 per Trust Unit) is ***not*** included in this table as it was *received* in the 2000 taxation year.

Record Date	Payment Date	Total Distribution Paid	Taxable Amount	Return of Capital Amount
December 31, 1998	January 15, 1999	$0.05	$0.00	$0.05
January 31, 1999	February 15, 1999	$0.05	$0.00	$0.05
February 28, 1999	March 15, 1999	$0.04	$0.00	$0.04
March 31, 1999	April 15, 1999	$0.04	$0.00	$0.04
April 30, 1999	May 15, 1999	$0.04	$0.00	$0.04
May 30, 1999	June 15, 1999	$0.05	$0.00	$0.06
June 30, 1999	July 15, 1999	$0.05	$0.00	$0.05
July 31, 1999	August 15, 1999	$0.06	$0.00	$0.06
August 31, 1999	September 15, 1999	$0.07	$0.00	$0.07
September 30, 1999	October 15, 1999	$0.07	$0.00	$0.07
October 31, 1999	November 15, 1999	$0.07	$0.00	$0.07
November 15, 1999	December 15, 1999	$0.17	$0.00	$0.17
Total paid during the 1999 Taxation Year		**$0.76**	**$0.00**	**$0.76**

Adjusted Cost Base – Distributions received to-date are 100 percent tax deferred as they are considered a "return of capital." Unitholders must change their adjusted cost base (ACB) to reflect the return of capital they have received from Freehold. The ACB is the original cost of the Trust Unit paid by the Unitholder, less any distributions received by the Unitholder, and is used in calculating capital gains or losses on the disposition of Trust Units. Distributions received in 2000 are expected to be 100 percent tax deferred.

Registered Plans – Trust Units qualify as investments for Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Deferred Profit Sharing Plans (DPSPs) and Registered Educational Savings Plans (RESPs).

Non-Residents – Since Revenue Canada considers Freehold's distributions to be a "return of capital," non-residents of Canada are exempt from Canadian withholding tax. Subsequently, no amounts were withheld from source during the 1999 taxation year. Income tax liability will depend on the jurisdiction in which the Unitholder must file a tax return.

A more complete tax description may be obtained from our Web site, **www.freeholdtrust.com**, or by contacting the Trust directly.

Historical Distributions

Record Date	Payment Date	Extra Distribution	Cash Distribution Per Trust Unit	Portion Taxable	Taxation Year
Quarterly					
1996					
Jan. 31, 1997	Feb. 28, 1997		$ 0.1300	0%	1997
			$ 0.1300		
1997					
Apr. 30, 1997	May 15, 1997		$ 0.3200	0%	1997
July 31, 1997	Aug. 15, 1997		$ 0.2800	0%	1997
Oct. 31, 1997	Nov. 15, 1997		$ 0.2500	0%	1997
Jan. 31, 1998	Feb. 15, 1998		$ 0.2500	0%	1998
			$ 1.1000		
1998					
April 30, 1998	May 15, 1998		$ 0.1700	0%	1998
Monthly					
April 30, 1998	May 15, 1998		$ 0.0575	0%	1998
May 31, 1998	June 15, 1998		$ 0.0575	0%	1998
June 30, 1998	July 15, 1998		$ 0.0575	0%	1998
July 31, 1998	Aug. 15, 1998		$ 0.0575	0%	1998
Aug. 31, 1998	Sept. 15, 1998		$ 0.0500	0%	1998
Sept. 31, 1998	Oct. 15, 1998		$ 0.0500	0%	1998
Oct. 31, 1998	Nov. 15, 1998		$ 0.0500	0%	1998
Nov. 30, 1998	Dec. 15, 1998		$ 0.0500	0%	1998
Dec. 31, 1998	Jan. 15, 1999		$ 0.0500	0%	1999
			$ 0.6500		
1999					
Jan. 31, 1999	Feb. 15, 1999		$ 0.0500	0%	1999
Feb. 28, 1999	Mar. 15, 1999		$ 0.0400	0%	1999
Mar. 31, 1999	Apr. 15, 1999		$ 0 0400	0%	1999
Apr. 30, 1999	May 15, 1999		$ 0.0400	0%	1999
May 31, 1999	June 15, 1999		$ 0.0500	0%	1999
June 30, 1999	July 15, 1999		$ 0.0500	0%	1999
July 31, 1999	Aug. 15, 1999		$ 0.0600	0%	1999
Aug. 31, 1999	Sept. 15, 1999		$ 0.0700	0%	1999
Sept. 30, 1999	Oct. 15 1999		$ 0.0700	0%	1999
Oct. 31, 1999	Nov. 15, 1999		$ 0.0700	0%	1999
Nov. 30, 1999	Dec. 15, 1999		$ 0.0700	0%	1999
Nov. 30, 1999	Dec. 15, 1999	Extra Distribution	$ 0.1000	0%	1999
Dec. 31, 1999	Jan. 15, 2000		$ 0.0700	0%	2000
			$ 0.7800		
2000					
Jan. 31, 2000	Feb. 15, 2000		$ 0.0700	0%	2000
Feb. 29, 2000	Mar. 15, 2000		$ 0.0700	0%	2000
Feb. 29, 2000	Mar. 15, 2000	Extra Distribution	$ 0.0600	0%	2000
Total distributions to date			**$ 2.8600**		

Glossary

Acquisitions – The purchase of oil and/or natural gas properties for the purpose of generating revenues from their production.

Capital Expenditures – Investment of financial resources to develop proven reserves.

Development Well – A lower risk well drilled to produce proven reserves.

Differential – The difference between posted prices for light oil versus a heavier grade of oil.

Distributable Income – The income after deduction of all cash expenses that is distributed among Unitholders. This amount is sensitive to oil and natural gas prices and production volumes.

Established Reserves – The sum of Proven Reserves plus 50 percent of Probable Reserves.

Exploratory Well – A higher risk well drilled in an area where oil and natural gas reserves have not been previously discovered or proven.

Freehold Title – Land in which a private owner holds the mineral rights.

Heavy Oil – Dense, viscous oil containing a high proportion of bitumen usually with a gravity of 21 degrees API or less.

Horizontal Drilling – Drilling a well that deviates from the vertical and travels horizontally through proven reserves.

Lease – An agreement where the owner of the mineral rights grants another party the right to drill for and produce oil and natural gas in exchange for payment of a royalty.

Lessee – A party that has acquired a lease from the owner of the mineral rights to drill for and produce oil and natural gas. The lessee is normally responsible for all related expenses including the payment of the lessor's royalty.

Lessor – The title owner of mineral rights, which could include the Crown, an individual or an entity.

Light Oil – Low density oil which has a gravity of 30 degrees API or higher.

Mineral Title – Ownership of rights to specified minerals.

Net Asset Value – The value of the Trust's assets including oil, natural gas, and potash reserves, undeveloped land and financial assets less its liabilities.

Net Production – The remaining share of oil or natural gas production after payment of royalties.

Netback

Operating Netback – The amount realized from the sale of a barrel of oil equivalent after deduction of operating costs and royalties.

Investor Netback – Operating netback adjusted for all other cash expenditures and receipts which results in the final net amount distributed to Unitholders.

Natural Gas Liquids (NGLs) – Liquids obtained from natural gas production and processing, including ethane, propane, butane and condensate.

Operating Costs – Expenses incurred to recover oil or natural gas from a well exclusive of capital expenditures.

Operator – The company or individual responsible for managing and conducting an exploration, development or production operation.

Potash – A mineral primarily comprised of potassium chloride used in the manufacturing of fertilizer.

Production – The volume measure of oil and natural gas produced from a well.

Probable Reserves – Oil and natural gas reserves believed to exist with reasonable certainty on the basis of technical information.

Proven Reserves – Oil and natural gas in known reserves that can be recovered with a great degree of certainty under existing technological and economic conditions.

Reserve Life Index (RLI) – A measure of the estimated life of Established Reserves by dividing year-end reserves by the production during that year. (Established Reserves are the sum of Proven Reserves plus 50 percent of Probable Reserves).

Royalty – The lessor's share of production revenues.

Royalty Lands – Lands which generate royalty income to their mineral rights holder, free and clear of any costs of production.

Shut-in Reserves – Proven oil and natural gas reserves which are not on production for reasons such as uneconomic conditions, remoteness of location or pending the completion of facilities.

Unit – An arrangement under which a field or pool of oil or natural gas is to be operated as a common unit without regard to the boundaries imposed by lease ownership. This is done to maximize the economic benefits to all lease owners.

Working Interest – The percentage ownership of a party in a lease which carries with it the rights and obligations to develop and operate an oil and natural gas property.

Abbreviations

API	American Petroleum Institute
ARC	Alberta Royalty Credit
Bbl	barrel
Bbls/d	barrels per day
Bcf	billion cubic feet
Boe	barrels of oil equivalent (10 Mcf = 1 Bbl)
Boe/d	barrels of oil equivalent per day
Mbbls	thousand barrels
Mboe	thousands of barrels of oil equivalent
Mcf	thousand cubic feet
Mmcf	million cubic feet
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate

Unitholder Information

TRUST UNIT TRADING INFORMATION

	YEARS ENDED DECEMBER 31			
	1999	1998	1997	1996*
November 25, 1996 issue price $10.00				
High	**$ 6.90**	$ 9.80	$ 11.85	$ 12.70
Low	**$ 4.13**	$ 4.15	$ 8.40	$ 11.15
Close	**$ 5.95**	$ 4.43	$ 9.10	$ 11.20
Volume (TSE/ME) (000's)	**5,782**	9,686	11,392	12,943
Trust Units outstanding	**26,648,000**	26,568,000	26,488,000	26,408,000
Market capitalization	**$158,555,600**	$ 117,696,200	$ 241,040,800	$ 295,769,600

Share Capital
The Trust's authorized share capital consists of an unlimited number of Trust Units. As at December 31, 1999 the Trust had 26,648,000 Trust Units outstanding.

Unitholder Plans
The Trust has a number of Unitholder plans in place. Please contact the Trustee, Montreal Trust, for additional information and to obtain the necessary forms to participate.

1) Distribution Direct Deposit Plan
A Direct Deposit Plan is in place to provide Unitholders who have Canadian bank accounts with a method of receiving cash distributions as a direct deposit into their bank account.

2) Distribution Reinvestment Plan (DRIP)
A DRIP is in place to provide Unitholders who are residents of Canada with a method of reinvesting cash distributions into new Trust Units.

3) U.S. Currency Payment Plan
Unitholders may elect to receive their distribution payments in U.S. funds.

Distribution Policy & Dates
The Trust makes monthly distributions, the amounts of which are determined by the Board of Directors, and are subject to change depending upon the business environment. Record dates are the end of each month, payment dates are the 15th day following the record date.

Distribution Tax Information
Distributions paid to-date are 100 percent tax-deferred (return of capital). See page 33 of this report for detailed tax information.

Investor Relations Contact
Karen Taylor
Manager, Investor Relations
Freehold Royalty Trust
400, 144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4
Direct: (403) 221-0891
Toll Free: 1-888-257-1873 (Canada/U.S.)
Fax: (403) 221-0888
email: ir@freeholdtrust.com
Web site: www.freeholdtrust.com

Trustee and Transfer Agent
Registered Unitholders' change of address, duplicate mailings, lost Trust Unit certificates or distribution cheques, or general inquiries regarding the direct deposit, distribution reinvestment, or U.S. currency payment plans should be directed to:

Montreal Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telephone: (403) 267-6555
Fax: (403) 267-6592
Toll Free: 1-800-558-0046
email: lleong@montrealtrust.com

Corporate Information

Board of Directors

William W. Siebens[2]

Chairman of the Board – brings special expertise to Freehold with his knowledge of the Trust's Hudson's Bay Royalty Lands as these lands were previously owned by Siebens Oil & Gas Ltd. He is President and C.E.O. of Candor Investments Ltd. (Calgary), a private energy and investment corporation, and currently serves on the boards of several corporations.

D. Nolan Blades[1,2]

– a Professional Engineer, has extensive experience in the oil and gas industry. Mr. Blades is currently President and C.E.O. of Pursuit Resources Corp. (Calgary), an oil and gas exploration and development company. Prior to establishing Pursuit he held senior positions with Kaiser Oil Ltd., Oakwood Petroleums Ltd., and Chauvco Resources Ltd.

Harry S. Campbell, Q.C.

– is a Partner with the law firm Burnet, Duckworth & Palmer (Calgary). He was admitted to the Alberta Bar in 1974. Mr. Campbell is currently a director of Renata Resources Inc. and Cathay Investment Fund Limited and has been a director of numerous private and public corporations.

Tullio Cedraschi

– is President and C.E.O. of the CN Investment Division (Montreal). He is currently a director of several corporations, and is a Governor and a Past President of the National Theatre School of Canada. He is also a Governor of McGill University where he received his MBA.

Dr. P. Michael Maher[1,2]

– is a Professor and former Dean of the Faculty of Management with the University of Calgary. He has served on the boards of numerous corporations and public sector organizations. Dr. Maher received a Bachelor of Engineering degree, University of Saskatchewan; an MBA, University of Western Ontario; a Ph.D. from Northwestern University; a Doctor of Commerce (honoris causa) degree from St. Mary's; and is a Professional Engineer.

Peter T. Harrison[1]

– is Senior Vice-President, Canadian Equities with Montrusco Bolton Inc. (Montreal). Mr. Harrison has over 19 years of investment experience, and most recently managed Canadian Equities for the CN Investment Division. He holds a Bachelor of Commerce degree from McGill University, an MBA from the University of Western Ontario, and is a Chartered Financial Analyst.

David J. Sandmeyer

President and C.E.O. – is President of Rife Resources Ltd. (Calgary). He joined the Company in 1982. Prior to that he was employed with Amoco Canada Petroleum Company Limited for 18 years. Mr. Sandmeyer is actively involved with the Canadian Association of Petroleum Producers (CAPP). A graduate of the University of Saskatchewan, he holds a B.Sc. degree in Mechanical Engineering and is a Professional Engineer.

[1] Audit Committee
[2] Corporate Governance & Nominating Committee

Officers

William W. Siebens
Chairman of the Board

David J. Sandmeyer
President & C.E.O.

J. Frank George
Vice-President, Exploitation

Joseph N. Holowisky
Vice-President, Finance & Administration, C.F.O. and Secretary

William O. Ingram
Vice-President, Production

Michael J. Okrusko
Vice-President, Land

Head Office

Freehold Resources Ltd.
Freehold Royalty Trust
400, 144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4
Telephone: (403) 221-0802
Toll Free: 1-888-257-1873
Fax: (403) 221-0888

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: FRU.UN

Trustee and Transfer Agent

Montreal Trust Company of Canada
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

Grant Trimble Engineering Ltd.
Calgary, Alberta

Corporate Governance

Information concerning the Trust's Corporate Governance is contained in the Information Circular.

Annual Information Form

Copies of the AIF are available by contacting the Trust.

www.freeholdtrust.com

Printed in Canada